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Macroeconomic policy questions: External debt crisis and development

Indonesia*: draft resolution

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 48/165 of 21 December 1993 and 50/92 of 20 December 1995, the relevant provisions of the report of the Ad Hoc Committee of the Whole of the General Assembly for the Mid-Term Review of the Implementation of the United Nations New Agenda for the Development of Africa in the 1990s[1] and the Agenda for Development,[2] as well as the results, as agreed, of all major United Nations conferences and summit meetings held since the beginning of the 1990s,

Recalling also its resolutions 51/164 of 16 December 1996 and 52/185 of 18 December 1997 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries,

Reaffirming the urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, in order to help them attain a lasting exit from unsustainable debt burdens,

Welcoming the continuing efforts of debtor countries, despite the great social cost involved, to pursue economic reform, stabilization and structural adjustment programmes aimed at achieving stability, raising domestic savings and investments, attaining competitiveness to take advantage of market access opportunities where available, reducing inflation, improving economic efficiency, and addressing the social aspects of development, including the eradication of poverty as well as the development of social safety nets for the vulnerable and poorer strata of their populations,

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* On behalf of the States Members of the United Nations that are members of the Group of 77 and China

[1] *Official Records of the General Assembly, Fifty-first Session, Supplement No. 48* (A/51/48).

[2] Resolution 51/240, annex.

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Noting that the ongoing contagion of international financial crises is adding further burdens to the external debt problems of developing countries as a result of the destabilizing effects of volatile capital flows and is also leading to further declines in official development assistance flows, in particular to the least developed countries,

Noting also that the evolving international debt strategy is designed to generate debt sustainability for developing countries and, in this connection, stressing the need for a full and swift implementation of those initiatives that will further assist developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their high and unsustainable levels of total debt stock and servicing burdens,

Noting with concern the continuing debt and debt-servicing problems of indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating once and for all the onerous debt and debt-service burdens connected with the various types of debt of many developing countries on the basis of an effective, equitable, development-oriented and durable approach and, where appropriate, addressing the full stock of debt and growing arrears of the poorest and most indebted developing countries as a matter of priority,

Welcoming the decision to undertake a comprehensive review of the Heavily Indebted Poor Countries Debt Initiative in 1999,

Noting that the developing countries that have continued, at great cost to themselves, to meet their international debt and debt-service obligations in a timely fashion have done so despite serious external and domestic financial constraints,

Stressing the need for continuing global economic growth and the necessity for a continuing supportive international economic environment with regard to, *inter alia*, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued need for resources for the sustained economic growth and sustainable development of the developing countries,

Stressing also the importance of finding durable solutions to the non-Paris Club bilateral debt, which has become a serious challenge to many developing countries,

1. *Takes notes* of the report of the Secretary-General on the debt situation of the developing countries as of mid-1998;[3]

2. *Recognizes* that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

3. *Notes* that further progress, including swift implementation of innovative approaches and concrete measures, is essential for contributing to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily indebted countries;

4. *Also notes*, while recognizing the potential benefits of liberalization of international capital flows, the adverse impact of the volatility of short-term capital flows and exchange rates on interest rates and the debt situation of developing countries, and stresses the need for coherence in implementing policies, as well as orderly, gradual and well-sequenced approaches to capital account liberalization, in order to mitigate the impact of such volatility and reduced access to external financing;

[3] A/53/373.

5. *Urges* the international community to consider measures and mechanisms, involving private creditors, that would allow debtor countries the breathing space off a temporary suspension of payments, while maintaining their access to interim finance and, in this regard, recommends wider application of the International Monetary Fund policy of lending into arrears;

6. *Stresses* the urgent need to endow the International Monetary Fund with adequate resources to provide emergency financing to countries affected by financial crises as a result of the high volatilities of international capital flows;

7. *Also stresses* the need for the Bretton Woods institutions to fully consider, when providing emergency financing, the special economic situations of indebted developing countries affected by natural disasters;

8. *Welcomes* the efforts of developing countries to promote a favourable environment for attracting foreign investment aimed at promoting economic growth and sustainable development so as to favour their exit from debt and debt-servicing problems, and also stresses the need for the international community to promote a conducive external economic environment through, *inter alia*, improved market access, stabilization of exchange rates, effective stewardship of international interest rates, increased resource flows, access to international financial markets, flow of financial resources, including increased official development assistance, and improved access to technology for the developing countries;

9. *Stresses* that the evolving debt strategy must be accompanied by a favourable and supportive international economic environment, including, as reaffirmed in the draft ministerial communiqué submitted by the President of the Economic and Social Council, on the high-level segment of the substantive session of 1998 of the Council,[4] the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and the net food-importing developing countries;[5]

10. *Also stresses* the need for existing facilities to provide debt-relief measures through various debt conversion programmes, where possible, such as debt-equity swaps, debt-for-nature swaps, debt-for-child development swaps and other debt-for-development swaps, to be widely implemented so that the countries concerned may be assisted in their development efforts as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held at Copenhagen in March 1995;

11. *Notes* that only nine countries so far have reached decision points under the Heavily Indebted Poor Countries Debt Initiative and in this regard, calls for its accelerated implementation in order to enable more eligible countries to benefit from the Initiative;

12. *Welcomes* the extension of the entry deadline of the Heavily Indebted Poor Countries Debt Initiative to the year 2000 to enable more eligible countries to reach decision points and, in this connection, urges liberalization of access to the Initiative as well as the need for the International Monetary Fund and World Bank to expeditiously address the special needs of poor post-conflict countries;

13. *Stresses* the urgent need for effective mobilization of additional financial resources for the Heavily Indebted Poor Countries Debt Initiative from both bilateral and

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[4] E/1998/L.13.

[5] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994.7).

multilateral creditors without affecting the support required for other development activities of developing countries and, in this regard, expresses its appreciation for contributions made by some bilateral donors to the Heavily Indebted Poor Countries Trust Fund of the World Bank and the Enhanced Structural Adjustment Facility/Heavily Indebted Poor Countries Trust Fund of the International Monetary Fund, and urges other bilateral donors and invites other international financial institutions that have not yet finalized mechanisms for participation in the Initiative to do so as soon as possible;

14. *Calls upon* bilateral and multilateral donors to contribute to the Highly Indebted Poor Countries Trust Fund in order to help the African Development Bank meet its share of Initiative-related costs;

15. *Stresses* the importance of implementing the Highly Indebted Poor Countries Debt Initiative's eligibility criteria flexibly, including shortening the implementation period – that is to say, the interval between the decision point and the completion period – to one year for individual countries in a transparent manner, and with the full involvement of the debtor countries, and also stresses the importance of continuously evaluating and actively monitoring the implications of the existing terms of the eligibility criteria in the implementation of the Initiative, so as to ensure sufficient coverage of heavily indebted poor countries and so that those countries may achieve a lasting exit from their unsustainable debt burdens;

16. *Underlines* the importance of the transparency and involvement of debtor countries in any review and analysis that is conducted during the adjustment period;

17. *Encourages* the Paris Club to provide more than 80 per cent relief as well as convert all remaining official bilateral debts owed by the poorest African countries into grants in order to make an appropriate and consistent contribution to the common objective of debt sustainability;

18. *Strongly urges* that the comprehensive review of the Heavily Indebted Poor Countries Debt Initiative should occur no later than the middle of 1999 and should include consideration of debt sustainability criteria as well as a comprehensive study of the impact of traditional relief efforts in order to ensure that the Initiative provides for a lasting exit from unsustainable debt burdens;

19. *Urges* that the comprehensive review should have an external and independent input from relevant international organizations, such as the United Nations Conference on Trade and Development, among others;

20. *Invites* creditor countries, private banks and multilateral financial institutions, within their prerogatives, to continue the initiatives and efforts to address the commercial debt problems of the least developed countries and the requests for continued mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help least developed countries reduce their commercial debt;

21. *Recognizes* the efforts of indebted developing countries in regard to fulfilling their commitments on debt servicing despite the high social cost incurred and, in this regard, encourages private creditors and, in particular, commercial banks to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries, particularly those affected by the financial crisis, and especially those susceptible to the contagion of such crises;

22. *Stresses* the urgent need to continue to provide social safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in debtor countries, in particular low-income groups;

23. *Notes with concern* the continuing burden of debt and debt-service obligations of middle-income developing countries, including in particular those in Africa, and encourages creditors, including multilateral financial institutions and commercial banks, to continue to support those countries in addressing these obligations effectively;

24. *Expresses strong support* for the continuation of Enhanced Structural Adjustment Facility operations and, in this regard, emphasizes the urgency of securing its funding and sustenance;

25. *Stresses* the need to finalize negotiations, before the end of 1998, for an adequate twelfth replenishment of the International Development Association to a level commensurate with the needs of concessional funding by the poorest developing countries;

26. *Reaffirms* the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,[6] in particular the appropriate actions in favour of those countries concerning their official bilateral commercial and multilateral debt;

27. *Stresses* the need for new financial flows to debtor developing countries from all sources, in addition to debt-relief measures that include debt and debt-service reduction, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, particularly to the least developed countries, in order to support the implementation of economic reforms and stabilization and structural adjustment programmes by the developing countries that will enable them to extricate themselves from the debt overhang and attract new investment and to assist them in achieving sustained economic growth and sustainable development and the eradication of poverty;

28. *Also stresses* the importance of additional debt-relief measures in light of the adverse effects of the current international financial crisis on the mobilization of both domestic and external resources for the development of the least developed countries and Africa;

29. *Calls upon* the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s that are related to development and the question of the external debt problems of developing countries;

30. *Requests* the Secretary-General to report to the General Assembly at its fifty-fourth session on the implementation of the present resolution.

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[6] Resolution 50/103, annex.